Information Services Board Briefing Paper on the DSHS Health Insurance Portability and Accountability Act (HIPAA) Feasibility Study

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Description

The Department of Social and Health Services (DSHS) appeared at the December 2001 ISB meeting to present the results of the agency's feasibility study that examined the options for implementing changes to the DSHS Medical Assistance Administration's (MAA) Medicaid Management Information System (MMIS). At that meeting the Board asked DSHS to address additional issues and to return to present their findings.

Changes to MMIS are required by the federal mandates contained in the Health Insurance Portability and Accountability Act (HIPAA) and the State Medicaid Manual. Affiliated Computer Services (ACS), formerly known as Consultec, Inc., provides DSHS with operational and maintenance support for MMIS. HIPAA and the State Medicaid Manual also require changes to the Pharmacy Point of Sales (RX POS) system, which is a subset of the claims processing subsystem of MMIS.

MMIS in its current form does not support HIPAA-required data elements or formats, all of the required standard HIPAA transactions, or compliant remote access for the service providers. The current MMIS remote access front end, known as MACNET, is a server that enables providers to send claims via a modem; the claims are translated into an MMIS-readable format and routed to MMIS. This front end must be replaced to accept, translate, and route HIPAA-compliant transactions. Additionally, MMIS claims processing and other subsystems require remediation to accept new codes, different data elements, and new lengths or configurations of currently accepted elements. New HIPAA requirements for privacy of health information have also been published. HIPAA regulations addressing security, national identifiers, and enforcement are expected to be published in the near future. DSHS is required to make these changes to continue to receive matching federal funding to operate the state Medicaid program as well as to avoid possible federal penalties for non-compliance.

The feasibility study recommends that, to the extent possible, modifications required to support HIPAA be made to the front end and only minimal modifications made to the MMIS subsystems. The rationale for this approach is twofold: it provides the mandated HIPAA support, and it limits the extent of changes to MMIS given that changes to the subsystems are very costly and the system is scheduled for re-procurement maintenance and support services during the 2003-05 Biennium. In addition, the study recommends that DSHS migrate to the ACS Base 5.1 RX POS system. The feasibility study lists the anticipated costs as $15,873,174 based on $1,718,767 in General Fund-State (10%) and $14,154,407 in Federal Financial Participation (90%).

Background

The purpose of HIPAA is threefold: 1) to improve the efficiency and effectiveness of health care systems; 2) to simplify administrative functions and lower costs; and 3) to provide better security and privacy of health care information. This is to be accomplished through the implementation of regulations issued by the federal Department of Health and Human Services (DHHS):

- Standards for transactions using Electronic Data Interchange (EDI)
- Standards for privacy of health information
- Standards for security of health information
- Standard, national provider, payer, and employer identifiers
- Standards for enforcement of the regulations

In addition to DSHS, other agencies are affected by the HIPAA regulations. Agencies such as the Department of Corrections, the Department of Health, the Health Care Authority, the Department of Labor & Industries, the Department of Veterans' Affairs, and the Office of the Superintendent of Public Instruction are evaluating the impact of the HIPAA within their respective operations. Based on the outcome of various agencies' evaluations, the ISB may be asked to consider HIPAA projects by agencies other than DSHS.

DSHS hosts a website with interagency information called "Washington State's HIPAA Partnership" that can be found at http://maa.dshs.wa.gov/dshshipaa. For users with access to Inside Washington (i.e., behind the firewall), additional interagency HIPAA information can be found at http://maaintra.dshs.wa.gov/dshshipaa.

Status
The DSHS feasibility study examined five implementation options to address the requirements:
1) Continuing with the existing technology with no change;
2) Contracting with a clearinghouse for HIPAA compliance;
3) Implementing the AC^S corporate solution;
4) Maximizing changes to the MMIS mainframe system by ACS programming staff and minimizing changes to the front end capabilities; and
5) Maximizing changes to the front end system by DSHS programming staff and minimizing changes to the MMIS system.

Issues
- Unless agencies formally request an extension, agencies must still implement the first rule, EDI Transaction Standards, by October 2002. Although this implementation deadline may be extended to October 2003, agencies that have been granted the extension are still required by the federal government to submit a detailed compliance plan by October 2002 and to begin testing of the HIPAA modifications by April 2003.
- The feasibility study limits itself to MMIS and only those business programs within DSHS that make use of MMIS to process their payments.
- Failure to make MMIS HIPAA compliant could:
  - interrupt delivery of medical and social services to over 1.2 million citizens and payments exceeding $3 billion per year to the providers of those services.
  - result in fines in excess of $1 million per year.
  - result in the federal government withholding Medicaid funds.

The Board asked DSHS to report back on the following issues:
- Whether or not other states that contract with ACS are willing to share the costs for modifications to the MMIS system.
- To what extent are other states banding together to and sharing modification costs.
- Whether other state agencies affected by HIPAA would be able to share DSHS' proposed solution.
- How the proposed HIPAA modifications to the DSHS system will affect the longer term strategy concerning reprocurement of the MMIS system .

Recommendation
DIS concurs with the feasibility study recommendations to issue a Request for Proposal (RFP) to acquire professional services that will allow DSHS to implement HIPAA modifications to MMIS by:

- Maximizing modifications to the Front End system and minimizing modifications to MMIS in order to implement required HIPAA modifications.
- Migrating to the ACS Pharmacy Point of Sale system.

DIS recommends that the ISB accept the results of the feasibility study and approve the release of the RFP. DIS also recommends that DSHS return to the ISB to review proposed project costs and schedules.